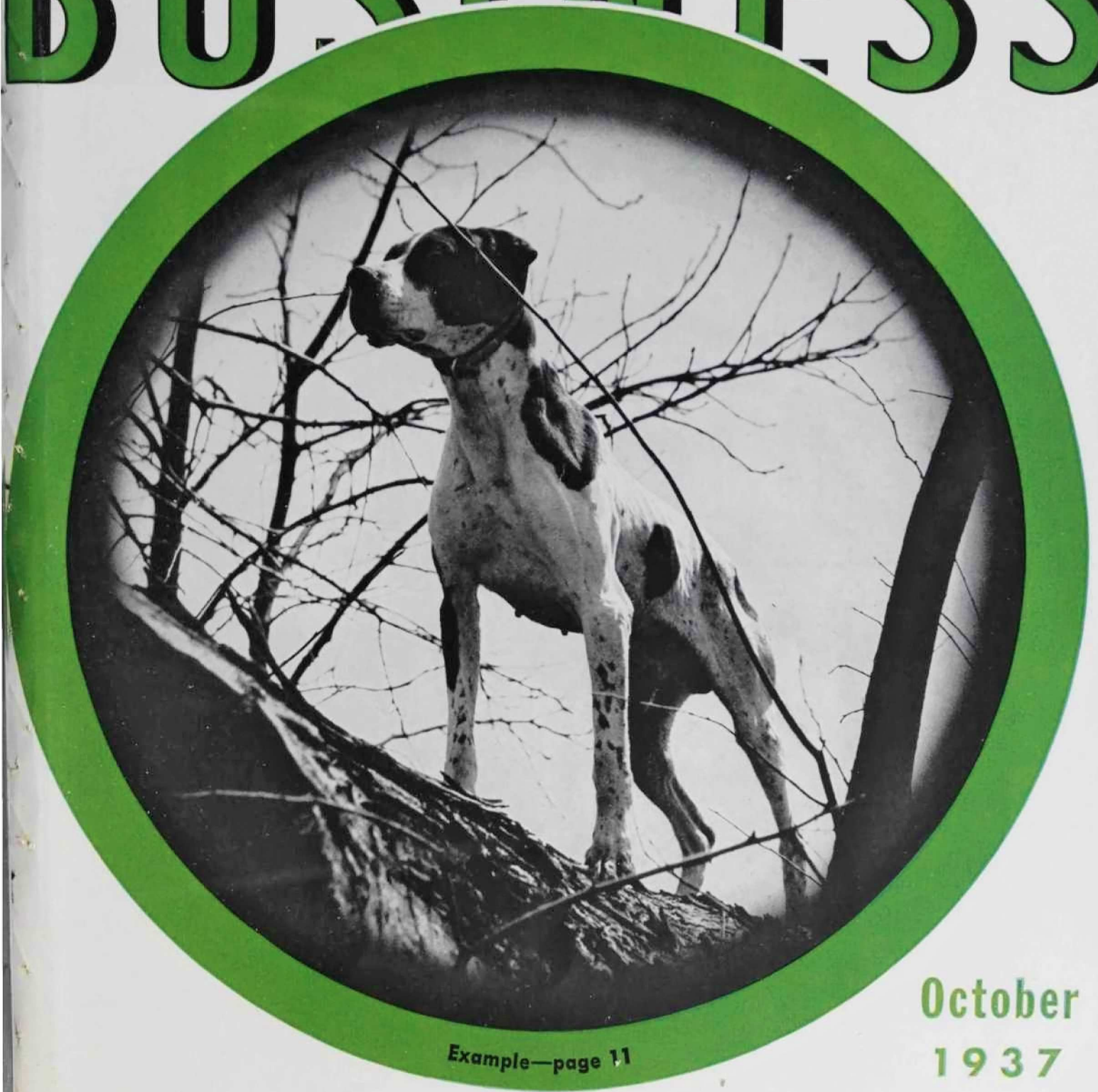
NATION'S BUSINESS



Example—page 11

October
1937

A Test Tube for Unemployment • First Aid for Labor Ills • Can Commercial Banking Continue? • As Drama Sees the Business Man

QUESTIONS our readers are asking:

1 • WHO are the unemployed? What jobs have they previously held? How much did they earn in boom times? . . . . . ANSWER ON PAGE 15

2 • JUST what is the United States Conciliation Service and what does it do in labor disputes? . . . ON PAGE 18

3 • WHAT does the American working man think of all this row between labor unions? . . . . . ON PAGE 21

4 • I SEE many banks are going after personal loan business and using this pay-as-you-go check plan. Will they all come to that eventually? ON PAGE 24

5 • WHAT two rules of living in Washington are generally observed? ON PAGE 27

6 • WHAT is to prevent the South from getting the share of the nation's industry to which it is entitled? ON PAGE 33

7 • WHAT do these people who complain that business men are fascists really mean? . . . . . ON PAGE 35

8 • DO you suppose the railroads will ever get back the passenger business they once had? . . . . . ON PAGE 38

9 • WHERE do they get this idea that 20 per cent of my pay goes for taxes? . . . . . ON PAGE 56

10 • WHAT'S going on in Washington? . . . . . ON PAGE 66

11 • IF the South continues to increase its diversified farming, what effect will that have on other farm areas? ON PAGE 76

12 • I DON'T approve of a lot of the things that are being done, but what can I do about it? . . . . . ON PAGE 82

13 • IS the stock market illiquid, and, if it is, are the Securities Commission's regulations to blame? . . . ON PAGE 88

14 • UNDER what conditions is a universal and stable unionism possible? . . . . . ON PAGE 104

What is Coming in November . . .

Turn to Page 130

Contents for October . . . .

PAGE

A Test Tube for Unemployment 15
By RUSSELL L. GREENMAN

Specialized First Aid in Labor Ills 18
By DR. J. R. STEELMAN

Labor's Divided Mind 21
By LEO WOLMAN

A Sit-Down Strike That Won 23
By D. M. CARRUTHERS

Can Commercial Banking Continue? 24
By B. H. MCCORMACK

Invisibly Supported 27
By CARLISLE BARGERON

As Drama Sees the Business Man 30
By JOHN ANDERSON

The South's Chance at Industry 33
By ARTHUR COLEMAN

Business Men Don't Understand 35
By GEORGE E. SOKOLSKY

William Jeffers: Challenger 38
By RAY MACKLAND

Selling in a Rising Market 44
By WHIPPLE JACOBS

Dollars in the Underbrush 50
By EDGAR FOREST WOLFE

The Uninvited Guest 56
By THERESA O. WEISS

A Five-year Plan for American Farmers 76
By KEN KIMBEL

The Romans Had a Word for It 82
By J. GILBERT HILL

The Regular Features . . .

Through the Editor's Specs 7
Collectivism, Made in America ..... By MERLE THORPE 13
No Business Can Escape Change 42
Memo . . . for Busy Readers 46
The Map of the Nation's Business 62
Leaders in the March of Business 64
Washington and Your Business 66
Business Men Say 74
Speaking of Finance 88
We Take Our Pen in Hand 112

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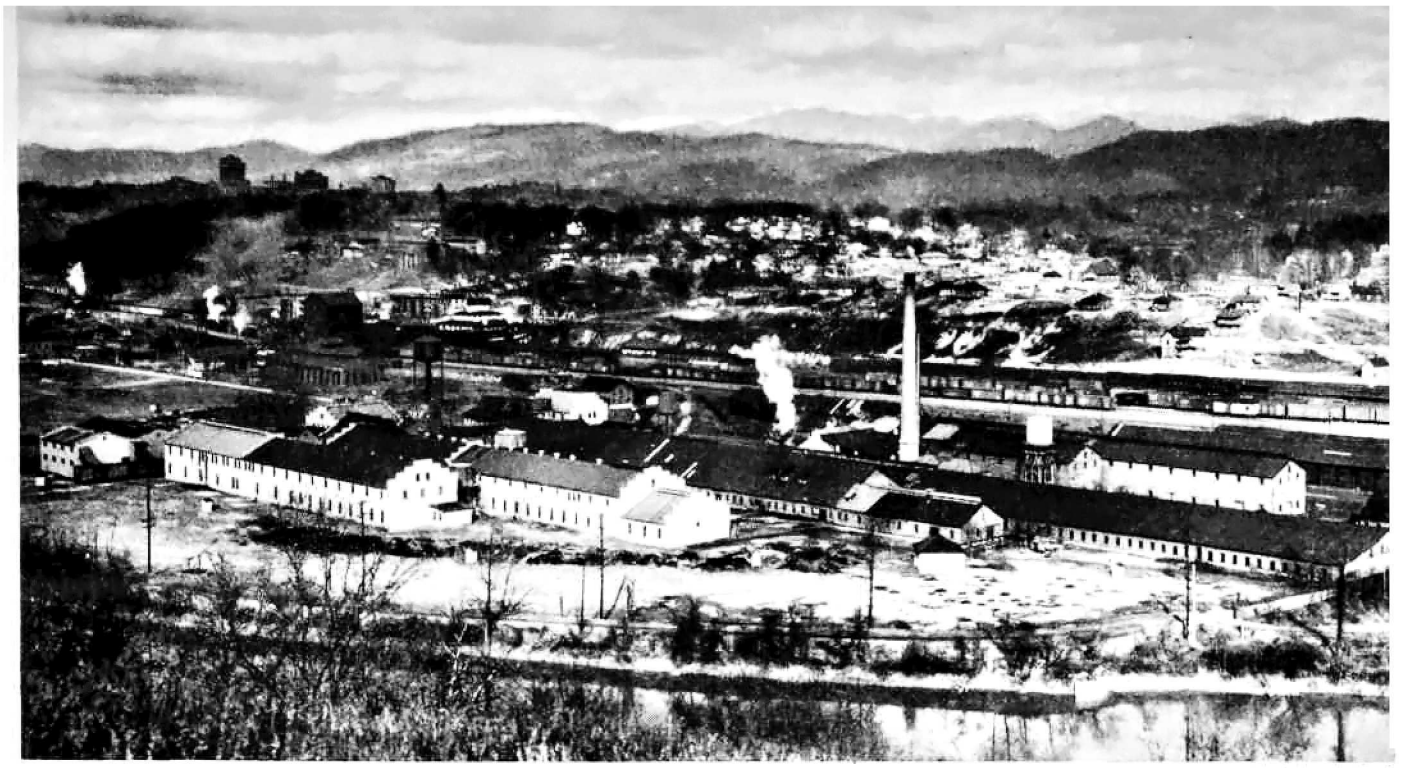


ELLIOT LYMAN FISHER

Raw materials for making tannic acid have brought leather manufacturers to North Carolina

The South's Chance at Industry

By ARTHUR COLEMAN

Associate Editor, Holland's Magazine

A NATIVE of the South gives a picture of his homeland which should benefit, not only those who live there, but those who hope to sell there

EVER since the westward-spreading cotton kingdom came smack up against the Great Plains some 90 years ago, the thinking Southerner has known that the South must look to some other economy for durable prosperity. The impossibility of extending the white fields to the Pacific then, and the subsequent leveling out of cotton exports, has driven the South to action in what has become its Twentieth Century rush toward industry.

At present, it is apparently doing rather well. In three decades, while southern population has grown a little more than two-thirds, the South's wealth and manufacturing output have quadrupled. In the same period the numerical increase in the South's industrial wage earners has exceeded that in the rest of the country by more than half; and wages have kept pace in proportion.

As the years have passed, the pace has increased. From every side come indisputable evidences that the region is well on its way to more nearly its share of the nation's industry in proportion to population. The past five years have seen the South leading the rest of the country in rate of growth in such factors as manufacturing output, wealth, automobile sales, electric refrigerator sales, income taxes paid, life and other personal insurance, freight-car-loadings of merchandise, department store sales, bank clearings, domestic use of electricity, electric power expansion, and more than a dozen other significant indices. Late figures from the Census Bureau show that several southern states in 1935 were hitting close to their 1929 peaks in manufacturing.

And since 1935 the South has gone hog-wild. Since July, 1936, I've been in 15 of these states, and everywhere I went I found trains running full, hotels doing capacity business, buses loaded, good-sized towns with no homes for rent, residence and industrial construction going full blast, factories and mills running night and day, towns and cities filled with new cars.

What's more, all this activity has the goods to back it up. The South has more than a third of the country's population, a high birth rate, and a low death rate. It has nearly half the country's forest area. It has more than a third of our coast line. It accounts for more than two-fifths of the national mineral production, with yet-untouched mineral resources so varied and vast that only guesses can be made as to their ultimate quantity. It grows more than a third of the nation's farm crops and nearly two-fifths of all agricultural products. It

has a genial climate. And, what is equally important, it is rapidly increasing as a consuming market.

It has relatively few obstructionist or niggling industrial laws and regulations. Its state and local governments are friendly to industry—extremely so in the case of one state. It has a dozen modern ports conveniently spaced along its coasts, and several developed inland waterways. It is constantly improving its highways. Its railroads have demonstrated their progressiveness.

That is the positive side of the picture, and it is not bullish. These statements are no more than the barest facts. But there is, of course, another side: the obstacles, the drawbacks the South must overcome if it is to cash in on its assets. I want to consider these briefly here, as the South is going to have to consider and act on them, so that a balanced picture and some sort of sensible understanding and program may be worked out.

The South needs first of all, in every one of its states, a functioning agency that will study resources, and plan and carry out developmental programs. Most southern states have so-called "planning boards," some of them drowned in a sea of data, others piddling along aimlessly, none of them acting effectively—and by this I mean none of them is prepared or authorized or organized to take direct part in the industrial development of its particular commonwealth.

Along with these, or perhaps as a part of them, should go industrial experiment stations, preferably endowed and free of politics. Georgia has a young one; Florida is trying to establish one; no other exists.

Managing southern resources

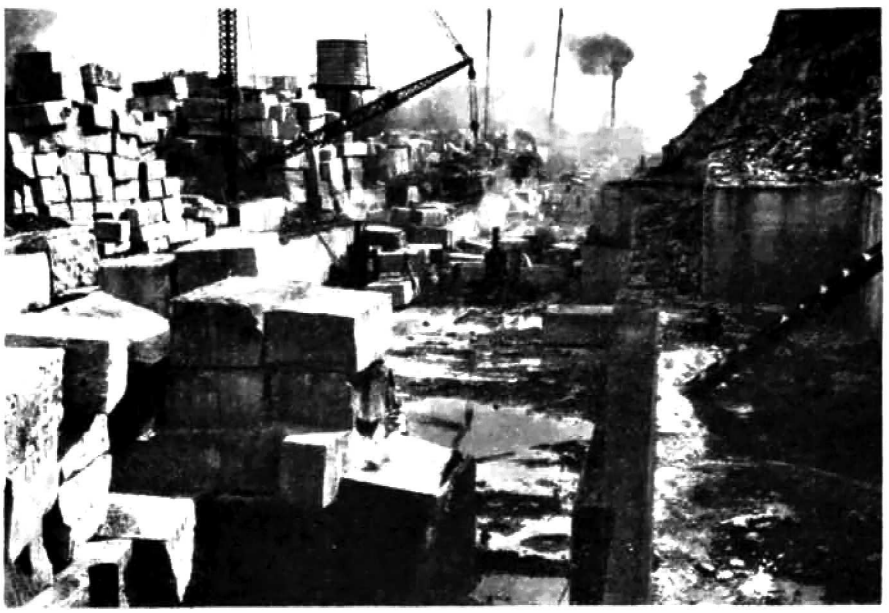
THE establishment of such an agency or agencies would speed the South's progress toward the filling of another dire need: intelligent handling of its forests. Already some few intelligent programs are under way, notably in Arkansas; but right now the South's half of the nation's forest area contains less than a seventh of the country's board feet of standing saw timber, and both state and private action is imperative if much is to be saved.

The restocking of cutover land is, in turn, a part of another program the South must carry out immediately—soil conservation. The fact that the rest of the nation has been equally stupid where soils are concerned does not relieve the South of the necessity of putting back into timber its watersheds and those of its leveler lands that have proved unprofitable for agriculture, and of terracing and contour-and-strip planting those lands left under the plow. The South is becoming aware of this need; but this awareness must be extended to include the fallacy of building expensive dams that silt up within a few years because the hills behind them are left nude.

Finally, and along with these activities, the South must rid itself of what is almost undoubtedly the greatest handicap it suffers—its attitudes, amounting practically to a regional inferiority complex, where industry is concerned. Let me explain:

For 300 years, the South has been agrarian in its traditions, social habits, outlook, politics, and ways of thought. This pastoral culture has given rise to certain prejudices, self-distrust, and consequent hesitancy

(Continued on page 116)



The Rockwod Quarry in Alabama and the Sayles-Biltmore bleachery at Asheville, N. C., demonstrate the South's increasing tendency to turn from agriculture to industry

ALABAMA MUSEUM OF NATURAL HISTORY

ELLIOT LYMAN FISHER

The South's Chance at Industry

(Continued from page 34)

where industry and its accompanying urbanity are concerned. All of these psychological elements, and more, are behind the South's effort to interest outside capital and its slowness to develop its resources itself. Certainly, the resources are there.

One of the chief of these restraints is the South's conviction that the region lacks sufficient capital for industrial developments. This belief has a deep-seated, two-headed source: It arises out of, first, the general conception (prevalent in most non-industrial localities) of industry solely in terms of huge factory buildings, large pay rolls, and millions in capital investment; and second, the reluctance of moneyed men in the South to free their available capital for industrial uses. The first is, of course, fallacious; but the second is not only real, but stubborn, and it extends to the man in the street.

Southerners invest in North

SO WE have the spectacle of millionaire bankers and other Southerners turning down industrial investments of a few thousand dollars that would return them many hundred per cent in profits. Investments in land? Yes, they're ready to listen—though the land may not be producing nearly enough to justify its valuation. Investments in stocks and bonds of national corporations, operating in other regions and about whose management little is or can be known, and in which management the investor can have no hand? Yes, they'll ride the market with it for a while.

But invest in a mineral deposit, or a chemical plant, or a furniture factory, or any of the numerous highly profitable potential industries the South should contain and could make successful? No. The financier once invested in an industry—probably rigged by high-powered promoters such as plagued the region for a time—and lost a few thousand. So he'll stick to the land—not pausing to calculate how much he has lost on land.

This Southerner-with-available-capital has another conviction: that the South lacks the industrial experience necessary to its development of itself. It is true that the region has no great body of technological or managerial experience, nor any of the huge industry-financing structures that have grown up elsewhere. But that it has no talent for industry is resoundingly refuted by the United States Census, which shows that in 1933—the latest figures available—the South's proportion of industrial failures to plants in operation was only slightly more than one-third that of the rest of the country. But, again, who reads the Census?

As if those firm beliefs were not enough, the Southerner holds yet another, and that is the assurance that materials and industrial products from other regions are *per se* superior to those from his own states. So a Texas hotel lines its lobby with Vermont marble, an Alabama college trims its buildings with Indiana limestone, and a West Virginia PWA project buys bricks from New Jersey, while these same materials in just as fine and sometimes finer quality go begging immediately at hand.

That, then, is the picture. The South must have industries; and since this development has not taken, at least very pronouncedly, the sounder course of smaller units financed and operated by people in the South, the South has been expending most of its industry-seeking energy in persuading industries outside the region to move to the land of cotton. To achieve this end it has developed a method peculiarly its own, the offering of inducements—free sites, free factory buildings, freedom from taxes, and so on—to established industries that will either move bodily to the South or set up branch factories there.

Today, in more or less virulent forms, it is still operating doggedly in the face of opposition from many southern leaders and despite roars of rage from an agonized press in older industrial regions. The less polite opponents of this practice call it "bribery." Its supporters call it "assistance."

No one knows who started it. Chambers of commerce used to get most of the credit; but today chambers of commerce on the whole do not follow this practice, and the responsibility for the continuance of the plan is less easily placed. A few power-company industrial divisions are using it vicariously; but the fairest flower in the garden of "assisters" is a state which has enacted a law permitting towns to float bond issues to erect factory buildings—in turn leased to incoming industries—and freeing these industries from taxation for five years.

One and all, the proponents of this method assure us that it pays; that it is the only way the South can get industries; that "everybody else is doing it." Opponents point out that the last two statements are far from being true: that everybody is not doing it, and that the South has a great

body of industry—doubtless, if it could be demonstrated, the greater part—that never received a penny's free help from any source. And as for "paying," all the region gets from absentee-landlord industries is a pay roll, whereas if the money used as subsidy were turned to financing and assisting the establishment and development of industries by able men within the South, the region would receive all the other profits from the various steps of manufacturing.

In fact, it is beginning to dawn on the South that the industrial salvation of the region lies in just that—the development and support of smaller, regionally adapted industries set up and operated either wholly or in controlling part by money and men in the South. As a result, there is slowly growing up a body of leaders—small now, but increasing—who advocate the setting up of local agencies and funds for the purpose of assisting smaller, indigenous industries.

These leaders point out that while, in certain fields, the South will continue to need and will welcome industrialists and capital and experience from other regions, it can and must contribute more and more of its own talent and money. They stress the fact that something like four-fifths of the industries in this country—and an even larger proportion in the South—are capitalized at $50,000 or less; and they cite countless industries that have started with considerably less and achieved astonishing success.

They demonstrate, moreover, that, everything else being equal, 60 industries capitalized at $50,000 each, and scattered over 40 or 50 suitable locations, will operate with more total profit and value and general satisfaction to a state and to the region than will one $3,000,000 industry; together, paying more wages, employing more people, turning out more product values, and having less dissatisfied labor than the large unit.

Of course, every discussion of industry in the South gets around sooner or later to labor. For too many years those seeking to develop industry in the region, particularly by importation, trumpeted about "cheap labor." Now the South is realizing its mistake. Now it is realizing that there is no legitimate reason why the Southern employee should work for 20 to 40 per cent less money than is paid to workers in other states. Many manufacturers, moving to the South, have discovered that the Southern worker learns three to six times as fast as does the employee in some more industrialized regions—and have joyously broadcast the news. So now the industrial literature of the South speaks of intelligent, rather than cheap, labor. To be sure, too many supposedly intelligent Southerners still maintain that $15 a week is a good wage; but, with the increasing industrialization of the South, this short-sighted idea will go the way of all flesh.

Let me conclude by repeating that, with all its shortcomings, the South is increasing its industry at a truly astonishing pace. Make no mistake about that. What the South should remember is that it is far from being out of the agrarian woods; far from having its share of the nation's industry and wealth in proportion to its population. Only when it has worked out the problems indicated here will it fully realize on its matchless potentialities.